Annual

2002

Providing
Communication
Solutions
for the
Future.

Management Agency
A Virginia Operating Agency
Secretariat of Transportation &
Government Services

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MINISTER'S LETTER

MINISTER OF TRANSPORTATION
AND GOVERNMENT SERVICES

Room 203
Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8

July 15, 2002

The Honourable Peter M. Liba
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the privilege of presenting the Sixth Annual Report of Mail Management Agency for the year ended March 31, 2002.

For the past 46 years, Mail Management Agency and its predecessor, the Postal Services Branch, have been providing correspondence distribution and finishing services primarily within the provincial infrastructure, and in recent years as a Special Operating Agency to the broader public sector.

Mail Management continues to seek out innovative solutions within its mandate to ensure that services exceed or meet the forefront of its industry. As an Agency, it continues to strive to meet and exceed the expectations of its stakeholders.

Respectfully Submitted,

Steve Ashton
Minister Responsible for
Mail Management Agency

DEPUTY MINISTER'S LETTER

Manitoba

A/Deputy Minister of
Government Services

332 Legislative Building
Winnipeg MB R3C 0V8

Telephone: (204) 945-4414
Facsimile: (204) 945-1857

July 15, 2002

The Honourable Steve Ashton
Minister Responsible for
Mail Management Agency
Government Services
Room 203 Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

Please accept for your consideration the Sixth Annual Report of Mail Management Agency for the year ended March 31, 2002.

Mail Management endeavours to ensure that customer service, productivity improvement, and employee development are at the forefront of its initiatives. Building on this foundation enables the Agency to continue to meet and exceed client expectations.

The Agency continues to face a future of significant technological change in the world communication environment. It has accepted the challenge and is moving forward with initiatives to provide the government and broader public sector with opportunities that will keep pace with this technology.

The Advisory Board is pleased with the operating achievements of Mail Management Agency and is encouraged by the commitment of its employees.

Respectfully submitted,

Gerry Berezuk
A/Deputy Minister and Chairperson of the
Mail Management Agency Advisory Board

CHIEF OPERATING OFFICER'S FOREWORD

MAIL MANAGEMENT AGENCY

200 Vaughan Street • Winnipeg MB R3C 1T5

From the Chief Operating Officer

We began the year 2001/02 with the continued review of our pricing methodology. By the end of the third quarter we had met with a number of our clients and finalized a two-year process that resulted in the restructuring of pricing to a more comprehensive user pay system.

During the year we revisited the electronic distribution component of our electronic Mail Management (eMM) project. The findings were consistent with the previous year in that it is currently not viable for the Agency to pursue the endeavour. The printing component of the eMM project did however continue to grow with a 70% volume increase over the prior year.

Later in the year our Agency felt the effects from certain global events. Clients altered their volumes and patterns and ultimately Mail Management suffered from a domino effect in two of its operating lines. Those same events gave rise to a significant increase in subscription to our contract administration program resulting in immediate savings to clients using contract management products.

Further analysis of the year showed that the Agency was being relied upon to perform a significant number of manual mail finishing projects. Clients had gained greater clarity of the scope of our operations and recognized the time and financial benefits by allowing Mail Management to perform the function.

As always, staff at the Agency has been called upon to adapt to a changing environment and as in the past they have come forth and met the challenge.

I would like to extend my sincere appreciation to those that have contributed to and supported Mail Management Agency, including our Advisory Board Members, our staff, and our clients.

Don Katz
Chief Operating Officer

ADVISORY BOARD

The Advisory Board's role in support of the Agency is to offer advice and direction on short-term strategic planning, management, and reporting as well as on issues of concern to our clients. The Board meets quarterly to review the Agency's financial reports, and annually to review the business plan, annual report, and any planned changes to the Agency Charter.

Members of Mail Management's Advisory Board as of March 31, 2002, are listed below.

CHAIR

Gerry Berezuk
A/Deputy Minister
Manitoba Government Services

MEMBERS

PRIVATE SECTOR REPRESENTATIVE

Raymond West
Retired Chairman of the Board
A. E. MacKenzie Co. Ltd.

PRIVATE SECTOR REPRESENTATIVE

Norm Fiske
Partner
Sill & Company

CLIENT REPRESENTATIVE

Al Macatavish
Retired Vice President,
Transmissions and Distributions
Manitoba Hydro

CLIENT REPRESENTATIVE

John Hosang
Assistant Deputy Minister
Manitoba Transportation

STAFF REPRESENTATIVE

Dan Hawley
Lead Hand - Operations
Mail Management Agency

EX-OFFCIO

Don Katz
Chief Operating Officer
Mail Management Agency

EX-OFFCIO

Tracey Danowski
A/Assistant Deputy Minister
Manitoba Government Services

AGENCY MANAGEMENT

DON KATZ
Chief Operating Officer

GREG BOWERS
Marketing/Systems

MIKE LANGENFELD
Operations Manager

LYNDONNA SCHILLING
Accounting

AGENCY PROFILE

Historical Perspective

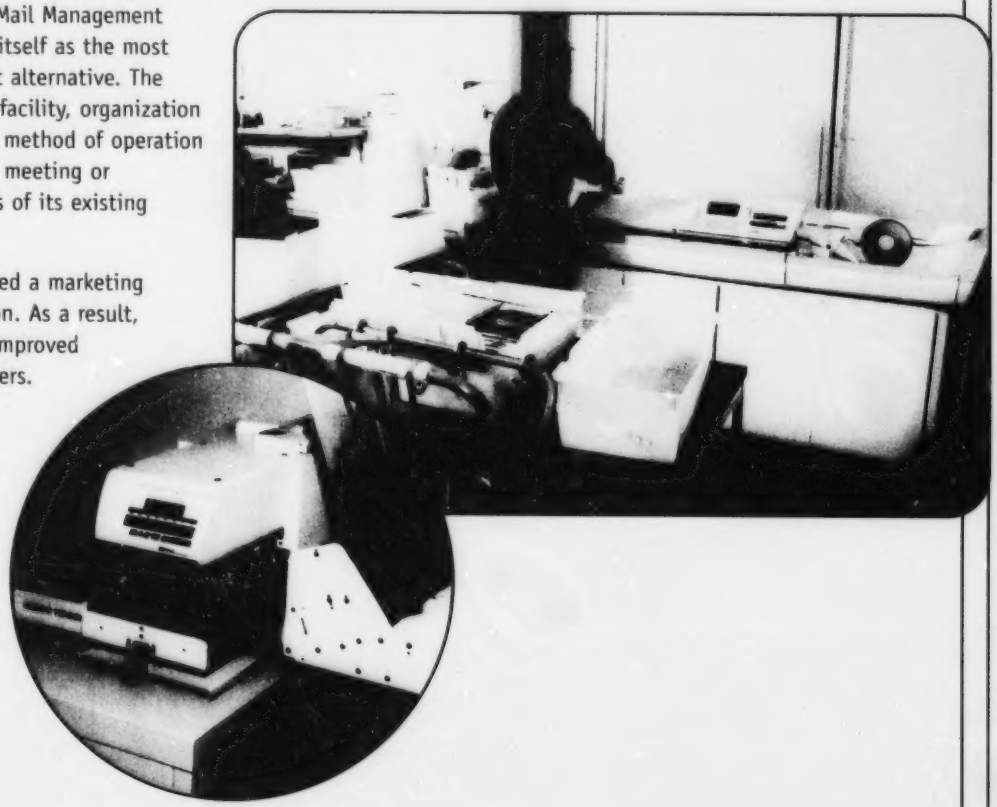
Mail Management Agency became a Special Operating Agency on April 1, 1996. Its history lies in that of the Postal Services Branch, its predecessor. The Postal Services Branch was responsible for centralized postal management within the Manitoba Government. It included co-ordinating the pickup and delivery of correspondence, distribution of interdepartmental mail, affixing the most economical postage for correspondence to the general public and allocating these costs to the originating program, evaluating Postal requirements, managing the franking privileges of members of the Legislative Assembly and negotiating and entering into contracts to reduce postage and equipment costs to Government.

Postal Service began as a Branch in 1956 and throughout the years grew from one facility to as many as twelve. During its growth it developed a mail delivery system, using government owned vehicles, that provided a high degree of reliability. As technology and alternate sources of delivery improved, use of government owned vehicles were phased out and the number of postal satellites was reduced.

In the late 1980's to early 1990's, Postal Services became more accountable and service oriented. A computerized mail management system was purchased to recover postage costs from users. Postal Services subsequently assumed responsibility for the Department of Highways postal operation and the Queen's Printer mail preparation services that included inserting and folding.

During the 1996/97 year, Mail Management Agency began to position itself as the most cost effective and efficient alternative. The Agency realigned its main facility, organization structure, systems, and its method of operation to assist it in its thrust of meeting or exceeding the expectations of its existing and future clients.

The 1997/98 year introduced a marketing position to the organization. As a result, the Agency developed an improved profile amongst its customers. Client presentations were performed and response time to customer inquiries was greatly improved.



AGENCY PROFILE

Mission

The mission of Mail Management Agency is to enable clients to expedite their products, information and correspondence through the most appropriate distribution alternative.

The following business principles and values support the mission of the Agency:

- *to create service solutions for Government that contribute to affordable program delivery and ultimately to its bottom line;*
- *to develop, through provision of superior service at reasonable cost, lasting, mutually satisfactory business relationships;*
- *to develop mutually agreeable business relationships with suppliers by ensuring all are extended access to tender documents, by paying open accounts promptly, and generally demonstrating good business ethics;*
- *to remain a good corporate citizen by complying with all the laws and regulations and by promoting measures to eliminate or minimize risks to the environment;*
- *to provide a safe working environment for all employees in compliance with ongoing Workplace Health and Safety regulations;*
- *to encourage and acknowledge special levels of employee accomplishments through recognition and rewards;*
- *to continue to train and develop employee skills and talents through career planning and educational support;*
- *to provide employees with clear objectives and direction on how they may be attained;*
- *to stress team building while recognizing individual effort within team frameworks;*
- *to encourage innovative ideas and promote creative thought;*
- *to jointly establish individual performance goals and conduct impartial appraisals on their degree of attainment; and*
- *to remain an employer of choice.*

Goals and Objectives

The long-term goal of Mail Management Agency is to become the selected distributor of products, information and correspondence. In support of this goal, management and staff of the Agency have defined the following objectives that are critical to the long-term success of the Agency:

- *to ensure that the cost of postage and mail processing, mail finishing, and interdepartmental mail are minimized and that mail is expeditiously processed in a timely manner;*
- *to consolidate all Manitoba Government existing and dispersed departmental mail operations into one corporate process which will eliminate duplication of services, staff, equipment and space usage;*
- *to develop clients outside the Provincial Government, e.g. Interdepartmental Mail for the City of Winnipeg, Federal Government offices in Manitoba, and Universities in the city of Winnipeg;*
- *to provide guidelines to government in the processing of all related mail products and services and to establish standards and procedures for the efficient handling of government mail; and*
- *to develop other correspondence handling service solutions which are beneficial and cost effective for the corporate entity.*

Products and Services

MMA services are expanding to encompass the broader demands associated with communications. The existing finishing, processing, interdepartmental, and contract administration components were augmented with electronic Mail Management (eMM) printing, beginning the process of transforming MMA into a one-stop shop for communication services. Providing these additional services at one location will enable MMA to more fully address their clients' current and future needs.

● **EXISTING SERVICES**

The following outlines the existing services provided by Mail Management Agency:

PROCESSING - Line of Service:

METERED	Standard and oversized letter mail processed with ink stamp impressions (metered dollar impressions) through high speed mail machines.
PERMIT	Standard and oversize letter mail that are pre-printed with indicia (Canada Post deposit account numbers), and are prepared for Canada Post with the use of a numerically controlled Statement of Mailing (SOM) document. SOMs are used for items such as Addressed Admail, Unaddressed Admail, and Remail.
XPRESSPOST CERTIFIED MAIL	Traceable numerically controlled mail envelopes that are processed with an acknowledgement receipt card that is returned to the sender upon successful completion of delivery.
REMAIL	Specially priced U.S. and International mail that is processed with a special meter impression and documented with the use of numerically controlled SOMs.
OTHER	All other mail processing services not included in the above, including courier, parcels, business reply mail, postage cheques, and proof of delivery signatures.

FINISHING - Line of Service:

ADDRESSING	High speed machine addressing of envelopes and labels. Used in conjunction with incentive mail software programs that allow the Agency to sort addresses directly to Canada Post forward sortation areas or actual letter carrier walks. In doing so, MMA garners significant postage savings for its customers.
BURSTING	High-speed machine separation of various types of continuous sheet computer forms.
FOLDING	High-speed machine folding of various types of cheques, paper documents, and government forms.
INSERTING	High speed inserting of paper document various types of cheques, paper documents, and government.
MANUAL INSERTING	Grouping items of unusual type and design into containers specific to each unique project. Activities of this nature range from inserting specific matching items into envelopes or assembling convention kits that include computer diskettes, pens, pins, etc. Each of these tasks is performed manually.

INTERDEPARTMENTAL - Line of Service:

Daily pick up and delivery of items between government departments at designated locations.

The classification of service is as follows:

SMALL ENVELOPE Reusable interdepartmental envelopes, the approximate size of a standard # 10 letter mail envelope.

FLAT Large reusable interdepartmental envelopes approximately 15" x 11".

SMALL PARCEL Containers that can be up to 60 lbs. in weight and a maximum size of 11" x 8.5" x 4.5".

LARGE PARCEL Items larger than the above categories that weigh at most 60 lbs. and can be carried by the Agency's contract couriers.

CONTRACT ADMINISTRATION - Line of Service:

The tendering for, and management of, the best possible courier and parcel rates for use within MMA Processing and Interdepartmental services, and by the broader public sector clients who ship directly from their own facilities.

- **NEW SERVICES**
  Based on projected demand, identified by the feasibility study and independent requests for printing services, digital printing services were introduced.

eMM PRINTING - Line of Service:

To satisfy the Better Systems Initiative (BSI) demand for printing services, in conjunction with consistent findings from the eMM feasibility study, MMA leased and installed two high speed printers. The addition of print services into MMA offerings will enable its clients to bundle their communications needs and have them provided more efficiently from a single central source. The formal initiation of the printing component of the one-stop shop concept is part of the Agency's broader electronic mail management process. The print service provide clients with "just-in-time" printing of electronic documents on high speed digital black and white printers that can be immediately transferred to the Finishing, Processing, and Interdepartmental sections.

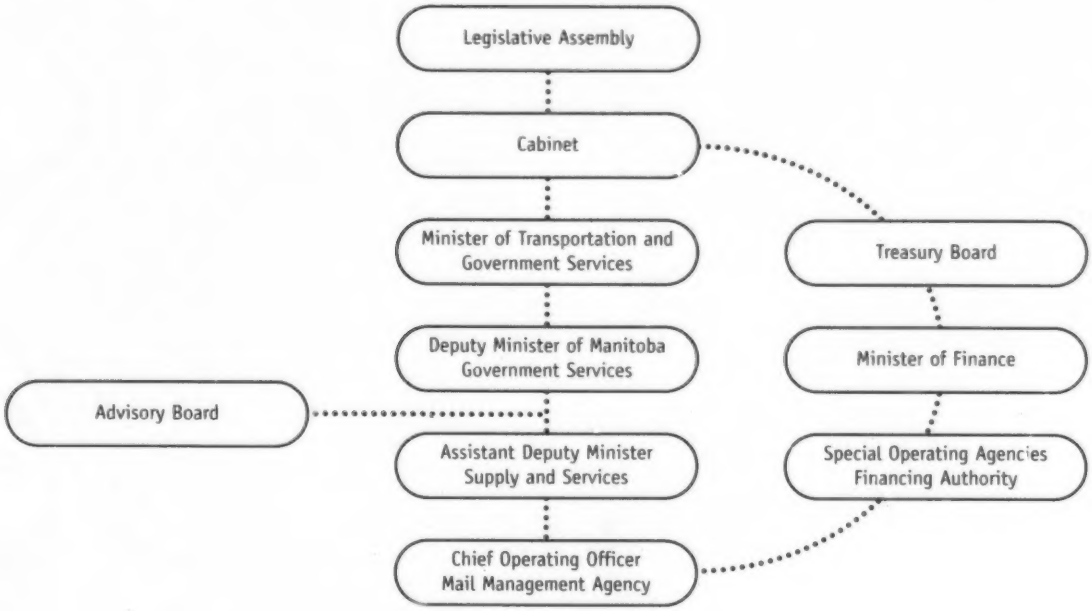
AGENCY PROFILE

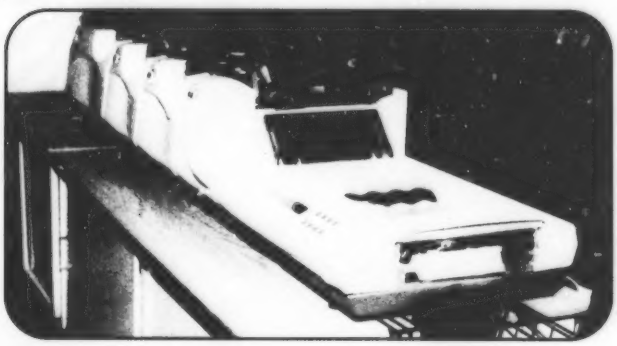
Structure

Mail Management Agency is a special operating agency within the Department of Transportation and Government Services that is accountable to the Deputy Minister for operational and financial performance.

The Agency operates outside the Consolidated Fund under the Special Operating Agencies Financing Authority, which holds title to the Agency's assets, provides financing for operations, and is responsible for its liabilities.

The accompanying chart identifies Mail Management's accountability within the established structure.





PERFORMANCE REVIEW

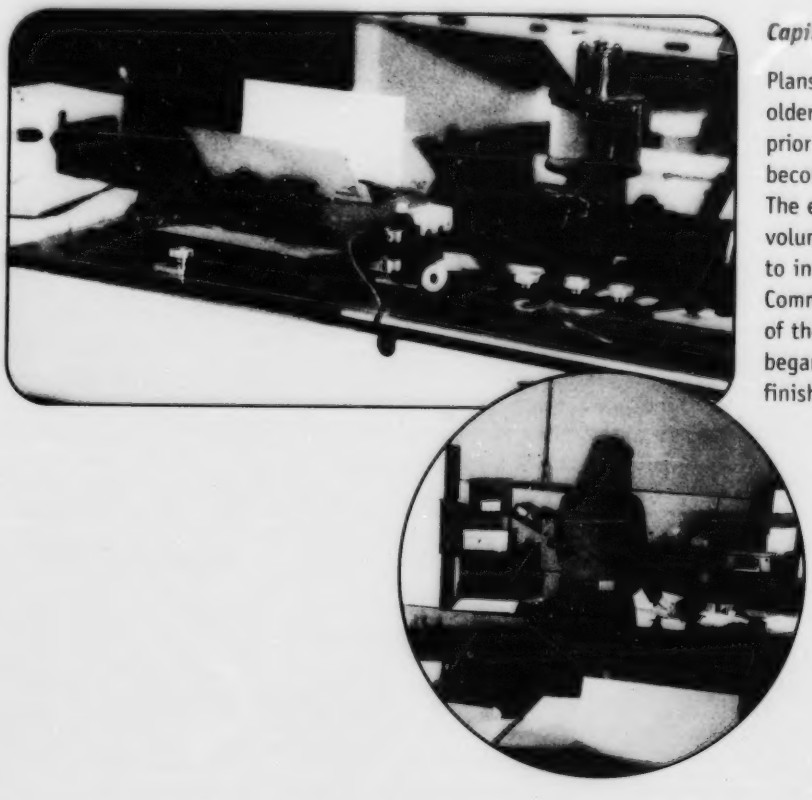
The Agency, in its 2001/2002 Business Plan, identified certain quantitative and qualitative critical success factors that serve as targets that reflect the Agency's progress to becoming a successful operating entity. The following are the targets and their results for the year ending March 31, 2002.

Enhance Product Pricing Methodology

The Agency continued a process begun in the prior fiscal year to establish a pricing model that better reflected the cost associated with each activity. The final component related to IDM process. During the year, MMA representatives met with stakeholder representatives and obtained the necessary consensus to implement the desired pricing model.

Electronic Mail Management

MMA continued to cultivate the eMM concept with a variety of clients. The climate however, remained static in that insufficient interest existed to continue forward with the total concept. The printing component of the concept however continues to be well received with another large client phasing their requirements into the MMA system. As well, the Agency continues to bolster volumes with a variety of ad hoc projects.



Capital Plan

Plans were developed to replace older equipment that was acquired prior to the Postal Services Branch becoming Mail Management Agency. The equipment targeted were high volumes units that were beginning to incur significant repair costs. Commencing the second quarter of the 2002 fiscal year the Agency began to take receipt of new finishing and processing equipment.

PERFORMANCE REVIEW

To Meet or Exceed Key Performance Indicators

Volumes (000's)

	Actual 2000/01	Actual 2001/02	Projected 2001/02	Variance 2000/01	Variance 2001/02 %	Variance Projected	Variance Projected %
Processing	9,823.6	10,284.7	9,090.4	461.1	4.7	1,194.3	13.14
Finishing	19,314.7	19,257.1	17,747.8	(57.6)	(0.3)	1,509.3	8.5
Interdepartment	2,937.9	2,824.4	2,932.9	(113.5)	(3.9)	(108.5)	(3.7)
Printing	352.2	600.1	1,040.0	247.9	70.4	(439.9)	(42.3)
TOTAL	32,428.4	32,966.3	30,811.1	537.9	1.7	2,155.2	6.9

Paid Full Time Equivalents (FTE'S)

	Actual 2000/01	Actual 2001/02	Projected 2001/02	Variance 2000/01	Variance 2001/02 %	Variance Projected	Variance Projected %
Processing	5.40	6.49	5.90	(1.09)	(20.20)	(0.59)	(10.00)
Finishing	6.70	7.44	5.75	(0.74)	(11.04)	(1.69)	(29.40)
Interdepartment	6.80	7.39	5.80	(0.59)	(8.67)	(1.59)	(27.40)
Printing	0.10	0.16	0.35	(0.06)	(60.00)	0.19	54.30
Administration	4.50	5.57	5.95	(1.07)	(23.80)	0.38	6.40
TOTAL	23.50	27.05	23.75	(3.55)	(15.10)	(3.30)	(13.90)

Productivity per Working FTE Hour

	Actual 2000/01	Actual 2001/02	Projected 2001/02	Variance 2000/01	Variance 2001/02 %	Variance Projected	Variance Projected %
Processing	1,002	1,036	857	34	3.4	179	20.9
Finishing	1,592	1,692	1,717	100	6.28	(25)	(1.46)
Interdepartmental	239	250	282	11	4.6	(32)	(11.35)
Printing	2,700	2,458	1,653	(242)	8.96	805	48.7
TOTAL	5,533	5,436	4,509	(97)	(1.75)	927	20.6

These targets measure three mutually exclusive items; total productivity volume, total paid hours, and productivity per working hour. The difference between the latter categories is that paid hours include vacations, sick leave, and other leaves, whereas working hours specifically reflects hours handling product.

Processing volumes were up 4.7% over the prior year and 13.1 % greater than projections. Of the comparative year volume increases, one hundered and fifty percent are directly attributable to unaddressed admail, the lowest yielding processing product handled by the Agency. Other contributors to volume increases were one time special projects from Manitoba Health and a large quadrennial distribution from Inter-Governmental Affairs.

PERFORMANCE REVIEW

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PERFORMANCE REVIEW

Finishing volumes remained static despite the mid year loss of six hundred thousand transactions that were transistioned to an electronic distribution mode. Volumes were kept up by increased unaddressed admail, the Inter-Governmental Affairs quadrennial distribution and additional activities associated with manual finishing projects.

For the second year in a row, inter department mail volumes dropped by approximately 4.0% from the prior year. Technology is beginning to play a greater role in the manner in which Provincial Employees communicate. Of concern is the shift in mix of this product line. The Agency is beginning to recognize a volume shift away from the outgoing, higher revenue yielding, IDM label activity and an increase with the incoming, lower revenue yielding, Federal mail/courier traffic.

eMM printing volumes actually remained static year over year when comparing seven months of operations in the prior year to 12 months in the 2001/02 year. Projects that had been expected to begin early in the fiscal year were delayed and only a portion of the anticipated volume started flowing during the last month of 2001/02.

Paid full time equivalents exhibited negative variances resulting from the impact of unexpected long-term sick leave and the unplanned particiption of an Agency employee in the Aboriginal Management Training Program which requires the Agency to fund and backfill the position.

Productivity per working full time equivalents exhibited relatively small variances which reflects operations ability to match volumes with staff availability.

FINANCIAL HIGHLIGHTS

Highlights

	2001/02 ($000's)	2000/01 ($000's)
Total Revenue	6,160	6,085
Postage Expense	4,775	4,500
Salaries & Benefits	970	825
Operating Expenses	605	663
Total Income	(190)	97
Interest	8	34
Net Income	**(198)**	**63**

Ratios

	2001/02	2000/01
Return on Total Revenue	(3.21)%	1.04%
Return on Assets	(18.6)%	4.86%
Return on Equity	(58.0)%	11.7%
Debt to Equity	2.11:1	1.41:1
Current Ratio	**1.23:1**	**1.43:1**

PERFORMANCE REVIEW

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Return on Assets	(18.6)%	4.86%
Return on Equity	(58.0)%	11.7%
Debt to Equity	2.11:1	1.41:1
Current Ratio	**1.23:1**	**1.43:1**

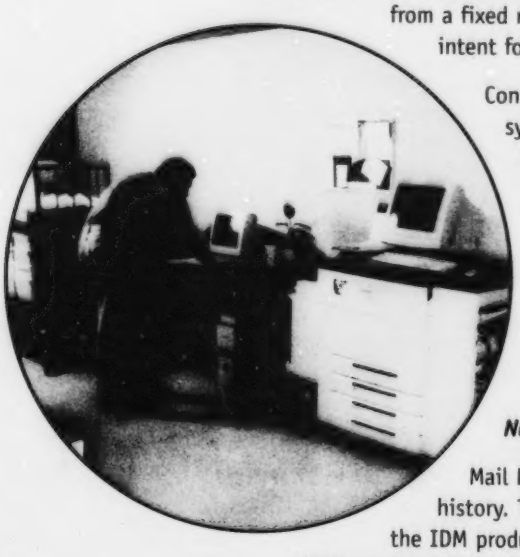
MANAGEMENTS DISCUSSION AND ANALYSIS

Overview

The Agency closed the year with a loss of $198.0 on $6,160.0 in gross revenue. The loss is primarily attributable to underpricing of the IDM label products. The impact on IDM revenue in relation to the prior fiscal year was a $289.0 shortfall, which translated into an equivalent saving for client organizations. As well, global events played a role in altering client mailing trends. Mail finshing was hardest hit with less than anticipated revenue in the third and fourth quarters of the fiscal year.

Significant Events in 2001/2002

New rates and pricing methodology were in place for the full fiscal year. Metered and permit mail were converted to a piece cost basis from a percentage of postage and finishing charges were moved from a fixed rate to a volume based rate. Year end results confirmed the Agency's intent for the changes to be revenue neutral.



Considerable time was put into revamping the management information system. The efforts have allowed the Agency to develop improved productivity measurement tools as well as enhanced financial reports including income statements by product line and operating location.

Mail Management staff worked with a large client to perfect a process enabling them to utilize eMM printing. At year end the Agency began printing approximately 15% of the clients' monthly volume for the specific application. It is anticipated that the remaining 85% of volume will be on stream by the third quarter of 2003.

Net Income

Mail Management posted a net loss for the second time in its six year history. The loss of $198.0 is primarily attributed to the revenue shortfall in the IDM product line. Other factors however, have played a role, including revenue yields resulting from significant change in the mix of product within product lines, higher amortization costs resulting from equipment purchases of the past few years, increased occupancy costs, and the impact of a full staff contingent on salary costs.

Revenue From Operations

Mail Processing

Mail processing revenue increased by 7% to $5,295.0 over the prior year. The additional revenue, in part, is due to Canada Post increases of 2.2% on standard lettermail and a 12% increase on parcel, prepaid and courier products. There were also marginal increases applied by Mail Management in the various processing services as well as the impact of an additional seven hundred thousand pieces of unaddressed admail relative to the prior year.

Mail Finishing

Finishing revenue dropped by 2.25% to $392.0. Midway through the year a client transitioned one process to an electronic distribution format and reduced volumes to the Agency by 600.0 transactions. Global events in the latter part of the year altered the activities of many clients. Anticipated volume increases near the end of the third quarter did not materialize and the normal spike in the fourth quarter activities completely disappeared.

Inter Department Mail

Revenues was down 42.6% relative to the prior year. A variety of factors affected the outcome in this product line. The 2001/02 fiscal year encompassed a full year with a new IDM label pricing methodology and it became clear that the product was underpriced. As well, for the second year in a row, volumes dropped by 4% relative to the prior year. Problems existed not so much in the volume shortfall as in the product mix. Revenue generating high volume IDM label activity dropped significantly while incoming low yield Canada Post/courier product volume increased.

Printing

Printing volumes improved by 70% over the prior year but was 42% below projection. Eighty-five percent of the volume increase is attributable to full year volumes versus part year volumes in the prior fiscal year with the balance coming from new business. Projections were based upon specific clients utilizing print services earlier in the year however, problems beyond Mail Management's control delayed the implementation until the end of the fiscal year.

MANAGEMENTS DISCUSSION AND ANALYSIS

Operating Expenses

The largest component of the Agency's operating cost remains postage at $4,775.0.

Postage expenditures increased $275.0 or 6.1% over the prior year. Increases in postage was primarily due to various product rate increases from Canada Post and a small impact from additional unaddressed admail volumes.

Labour represented the second largest expense for the Agency. A 10% increase occurred in 2001/2002 bringing the salaries to $824.0 before benefits. Additional salary expense was incurred to cover for 1.4 full time equivalent's (FTE) on long term sick leave and a 0.5 FTE salary that the Agency paid for one of its employees to participate in the Aboriginal Management Training Program. Finally salaries contained a full years expenditure for the COO and a computer programmer versus half year expenditure in the prior fiscal period.

Employee benefits increased $65.0 realtive to the prior year. The prior years figure includes a net actuarial adjustment in the severance and pension liability accounts of $43.0 which brings the employee benefits ratio to salaries closer in line.

Professional fees decreased by $127.0 relative to the prior fiscal year. The current year expense was void of consulting fees relating to various projects that ended in the 2000/2001 year.

RESPONSIBILITY OF FINANCIAL REPORTING

MARCH 31, 2002

MAIL MANAGEMENT AGENCY

200 Vaughan Street • Winnipeg MB R3C 1T5

Mail Management Agency
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba

The Agency's management is responsible for the financial statements and other financial information in the annual report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and the results of operations in accordance with generally accepted accounting principles. The financial statements have been audited by The Exchange Chartered Accountants, independent external auditors.

The Agency maintains a system of internal controls throughout its operation that provides reasonable assurance that the transactions are authorized, properly recorded and reported and that the assets are safeguarded.

The Advisory Board meets regularly with management to review accounting practices, financial reporting and to discuss audit results. The auditors have free and full access to this Board, and to discuss the results of their audit and their views on the adequacy of internal controls and the quality of the financial reporting.

Don Katz
Chief Operating Officer

May 22, 2002

AUDITOR'S REPORT

THE EXCHANGE

chartered accountants

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Mail Management Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2002 and the statements of loss and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

THE EXCHANGE

chartered accountants

Winnipeg, Manitoba
May 22, 2002

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FINANCIAL STATEMENTS

MARCH 31, 2002

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2002

	2002	2001
ASSETS		
CURRENT		
Accounts receivable	$ 617	$ 767
Prepaid expenses	139	43
	756	810
DUE FROM PROVINCE (note 6)	125	126
INVESTMENT PENSION	-	204
FIXED ASSETS (note 2, 3)	157	121
OTHER ASSETS (note 2, 4)	24	36
	$ 1,062	$ 1,297
LIABILITIES		
CURRENT		
Working capital payable (note 5)	$ 270	$ 234
Accounts payable	340	419
Current portion of long term debt (note 10)	6	1
Deferred revenue	-	2
	616	656
SEVERANCE LIABILITY (note 8)	84	75
LONG TERM DEBT (note 10)	21	27
	721	758
EQUITY		
CONTRIBUTED SURPLUS (note 12)	51	51
RETAINED EARNINGS	290	488
	341	539
	$ 1,062	$ 1,297

FINANCIAL STATEMENTS

MARCH 31, 2002

STATEMENT OF LOSS AND RETAINED EARNINGS
(In Thousands)
YEAR ENDED MARCH 31, 2002

	2002	2001
REVENUE		
Mail processing	$ 5,295	$ 4,938
Mail finishing	392	401
Inter department mail	390	679
Printing	41	25
Contract administration	42	42
	6,160	6,085
EXPENSES		
Amortization	61	57
Communications	11	12
Courier	146	144
Employee benefits	146	81
Equipment rental and maintenance	64	38
Interest	8	34
Leases	80	67
Loss on disposal of fixed assets	-	1
Network	31	27
Miscellaneous operating	32	52
Office	25	22
Occupancy	121	103
Postage	4,775	4,500
Professional fees	13	140
Salaries	824	744
Sub-contracts	21	-
	6,358	6,022
NET INCOME (LOSS)	(198)	63
RETAINED EARNINGS, beginning of year	488	425
RETAINED EARNINGS, end of year	$ 290	$ 488

FINANCIAL STATEMENTS

MARCH 31, 2002

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Net income (loss)	$ (198)	$ 63
Item not affecting cash:		
Amortization	61	57
	(137)	120
Changes in non-cash working capital:		
Accounts receivable	150	(68)
Due from Province	1	56
Accounts payable	(81)	139
Deferred income	(2)	-
Prepaid expenses	(96)	(5)
Pension trust	-	48
Severance liability	9	(24)
Pension liability	-	(163)
	(19)	(17)
Cash flow from (used by) operating activities	(156)	103
INVESTING ACTIVITIES		
Additions to fixed assets	(85)	(49)
(Increase) decrease in long-term investments	-	115
Cash flow from (used by) investing activities	(85)	66
FINANCING ACTIVITIES		
Long term debt	1	28
Cash flow from financing activities	1	28
INCREASE (DECREASE) IN CASH FLOW	(240)	197
DEFICIENCY - Beginning of year	(30)	(227)
DEFICIENCY - End of year	$ (270)	$ (30)

NOTES TO FINANCIAL STATEMENTS • *In Thousands*

MARCH 31, 2002

1 DESCRIPTION OF OPERATIONS

In 1956, Mail Management (Postal Service) was created as a branch of the Manitoba Provincial Government to provide centralized postal management.

Effective April 1, 1996, the Postal Service was renamed Mail Management Agency (MMA) and designated as a Special Operating Agency (SOA) pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

MMA is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from MMA operations. It finances MMA through repayable loans and working capital advances. The financial framework enables the Agency to operate in a business-like manner according to the public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Government Services assigns responsibility to MMA to manage and account for MMA related assets and operations on behalf of the Financing Authority.

MMA continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

MMA remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Fixed Assets

Fixed assets are recorded at cost and are amortized annually at the following rates and bases:

Production equipment	-	20% declining balance method
Computer equipment	-	20% straight-line method

Other Assets

Other assets are recorded at cost and are amortized at the following rate on a straight-line basis:

Computer conversion	-	over 5 years

NOTES TO FINANCIAL STATEMENTS • *In Thousands*

MARCH 31, 2002

3 FIXED ASSETS

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Production equipment	$ 327	$ 174	$ 153	$ 119
Computer equipment	7	3	4	2
	$ 334	$ 177	$ 157	$ 121

4 OTHER ASSETS

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Computer Conversion	$ 60	$ 36	$ 24	$ 36

5 WORKING CAPITAL PAYABLE

MMA has an authorized line of working capital advances of $1,500 of which $270 was used as at March 31, 2002.

6 DUE FROM PROVINCE

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of Mail Management Agency prior to their designation as SOAs. It also includes severance pay benefits earned by SOA employees to March 31, 1998. The balance is comprised of:

	2002	2001
Vacation entitlements	$ 60	$ 60
Severance pay benefits	64	64
Other	1	2
	$ 125	$ 126

The timing of the collection of these receivables will vary for each SOA. The receivable, or portion thereof, for an individual SOA will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of an SOA.

7 PENSION LIABILITY

Employees of Mail Management Agency are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act, administered by the Civil Service Superannuation Board (CSSB).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, Mail Management Agency transferred to the Province the pension liability for its employees subject to the following conditions:

- During the 2002 fiscal year, in accordance with the terms of the agreement, Mail Management Agency transferred to the Province funds equal to the net assets required to discharge its pension obligation as at March 31, 2001. Commencing April 1, 2001, Mail Management Agency is also required to pay the Province an amount equal to its employees current pension contributions.
- Hence, as at March 31, 2002, Mail Management Agency has discharged its pension obligations and has no outstanding liability.

8 SEVERANCE LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The estimate of the liability was based on the method of calculation set by the Province.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance at April 1, 1998 of $89 was completely offset by a receivable from the Province.

An actuarial report of the Agency's severance as at March 31, 2000 was restated to $75 as a result of the actuarial valuation. There was no effect on the severance benefit expense for the year ended March 31, 2000. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarial liability has been calculated to be $84 as at March 31, 2002.

9 THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of The Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba.

The following employees received compensation in excess of $50:

Name	Position	2002 Amount	2001 Amount
Don Katz	Chief Operating Officer	$ 61	$ 62
Greg Bowers	Marketing/Systems	$ 51	$ 50
		$ 112	$ 112

10 LONG-TERM DEBT

	2002	2001
Pitney Bowes loan bearing interest at 2.37 % per annum, repayable in quarterly instalments of $2 blended principal and interest. The loan matures on January 31, 2006 and is secured by high speed mailing machine.	$ 27	$ 28
Amounts payable within one year	(6)	(1)
	$ 21	$ 27

Principal repayment terms are approximately:

2003	$ 6
2004	6
2005	6
2006	9
	$ 27

11 COMMITMENT

The Agency has not entered into lease agreements with the Province of Manitoba for the five locations that it operates (200 Vaughan Street, Winnipeg; 405 Broadway, Winnipeg; 450 Broadway, Winnipeg; 340 - 9th Street, Brandon; and 25 Tupper Street, Portage la Prairie). Occupancy charges for the year ended March 31, 2002 are estimated at $120, whereas charges for the year ended March 31, 2001 were $103.

12 CONTRIBUTED EQUITY

SOAFA and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of fixed assets valued at $102 required for continuing operations of the Mail Management Agency as at March 31, 1996. The Agency is responsible to repay Special Operating Agencies Financing Authority the debt portion in the amount of $51 (being one-half of the value of the assets) and to record the balance of $51(being one-half of the value of the assets) as Manitoba's equity in the Financing Authority as related to the Agency's operations. The debt portion has been repaid.

13 FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, accounts receivable, investment, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.